Consumer Choice Criteria When a Product Is Free

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If an employer reimburses a consumer for making a purchase, what changes occur in the consumer decision-making process? This question motivates our research. Specifically, we investigate this question using a vignette methodology: A job candidate is invited for an in-person interview, and in one condition the job candidate pays for travel and in the other condition the interviewing company reimburses travel (i.e., the service is free). We anticipated that the number of information sources and the decision criteria would vary by condition but do not find evidence in our experiment. We also expected that self-pay job candidates would select lower-priced travel arrangements that are less convenient and less favorable, and our findings are consistent with these hypotheses. In our presentation, we will present our research, discuss its implications, and consider future research.

Introduction

Behavioral sciences recognize the following steps in consumer purchase decision process: recognition of a problem or a need (a significant difference between actual and ideal state of affairs), search for information (seeking for value); alternative evaluation (assessing the value), purchase decision (decision rules used: either compensatory or non-compensatory rules); and post-purchase evaluation (value in consumption or use). The "intensity" of each step or phase in the consumer decision-making process depends on the consumer, the situation, and the product in question. For example, problem recognition can be as simple as the physical depletion of a milk or coffee jar and as complicated as needing an abortion. Similarly, search for information to establish an evoked set, can be as simple as looking at the display items in the check-out counter of a grocery store or using a variety of media in buying a house. The number of evaluative criteria or standard used in assessing the value may be as low as one (smell of a bar of soap) and as many as 10 or 11 in buying a house. Consumers use both compensatory and non-compensatory decision rules (and in rare situations a combination of both rules) in buying both very simple items, such as a pack of chewing gums or a fabric softener, and more complicated purchases, such as home-entertainment systems or new car.

Purpose of this Study

There is a plethora of research related to the consumer decision-making process. The unanswered question in the marketing literature is: What changes, if any, in the consumer decision process will be observed if she can obtain the product free of charge? Consider the following scenario: A candidate for a faculty position is invited for an on-campus interview. The candidate can purchase her ticket from an airline of her choice as long as it is not a first or business class ticket. In this scenario, the price of an airline ticket will be reimbursed to the candidate, i.e., it is free. In the second scenario, the same candidate flies to the same destination to attend the *same job interview*, but she is paying for the airline ticket. To limit the scope of the study, we focus on consumer decision-making in two scenarios: (1) purchases that are free, i.e., travel is reimbursed by a company which is our "company pays" condition and (2) purchases that are not free, i.e., travel is not reimbursed which is our "interview pays" condition.

Hypotheses

We anticipate that information search for travel arrangements will be more intense when the "interviewee pays" and less intense when the "company pays." Firstly, more information sources will be used when the "interviewee pays" (H_1), and more choice criteria will be used when the "interviewee pays" (H_2). In addition, we anticipate that decision criteria will vary by condition. Specifically, when an "interviewee pays" s/he is more likely to choose a lower-priced airfare (H_{3a}) and when the "company pays" s/he is more likely to choose a higher-priced airfare (H_{3b}). Finally, a more favorable flight will be chosen when the "company pays" (H_4).

Method

We used a general vignette methodology and followed recommended procedures (Atzmüller & Steiner, 2010; Wason, Polonsky, & Hyman, 2002). The surveys were developed independently from a pilot study of undergraduate business students in an honors class. The students were presented with a job interview vignette requiring air travel to Atlanta that they would arrange. Half of the students were informed the "company pays" the airfare, and half were informed that the "interviewee pays" the airfare. Then, students were asked to free-write their decision-making process, focusing on information search, search criteria, and decision rules when making travel arrangements. Responses were tallied, and the students' response options were used in the online survey of the main study.

For the main study, student subjects were assigned randomly to one of two conditions – an "interviewee pays" scenario and "company pays" scenario – for a job interview vignette requiring air travel to Denver. In the "company pays" scenario, the interviewee is reimbursed for travel and "interviewee pays" scenario was unreimbursed. In both scenarios, interviewees were asked to choose among flight arrangements for the interview that were obtained from actual, scheduled flights. An online survey was developed which asked subjects to select from three scheduled flight options. We also collected data about search behavior, such as information sources and search criteria, before presenting choices. Finally, we assessed the subjects' prior experience with purchasing airfare and making travel arrangements.

Sample

Data was collected from 159 student subjects in required marketing classes (consumer behavior and marketing research) at a mid-sized state university in the Midwest during a spring semester. After eliminating three subjects for missing responses, there were 156 subjects, most of whom were between 18 and 24 years of age. Students received extra credit for participation, and students who were enrolled in both classes participated once but received extra credit in both. Subjects were debriefed after data was collected, and relevant course concepts were reinforced and discussed in classes (e.g., information search, experimental methods).

Results

We anticipated that information search for travel arrangements would be more intense when the "interviewee pays" and less intense when the "company pays," which is consistent with the involvement construct (e.g., see Zaichkowsky, 1985). However, the results suggested otherwise. Specifically, the average number of sources for the "interviewee pays" condition was 4.5, compared to 4.7 for the "company pays" condition. The direction of the effect is opposite our expectation but is not statistically significant. As a result, there is no support for H_1, and the evidence suggests that the number of information sources is equal across the two conditions. In a follow-up analysis, we found that subjects with *some* purchase experience in air travel searched for more information sources than those with *no* purchase experience, after controlling for condition ($M_{\text{experience}} = 4.9$ *cf.* $M_{\text{none}} = 4.4$, $F = 4.66$, $p<0.05$). This suggests that that prior purchase experience (e.g., see Nelson, 1970) is a more important factor in explaining intensity of information search. For the number of search criteria, the average for the "interviewee pays" condition was 4.9, compared to 4.7 for the "company pays" condition. Although the number of search criteria was higher for the "interviewee pays" condition, the difference was not statistically significant after controlling for purchase experience ($F = 0.75$, $p>0.05$). As a result, there is no support for H_2, and the evidence suggests that the number of search criteria is equal across conditions.

We also anticipated that decision criteria would vary by condition, and our results support this conclusion. Specifically, we expected a lower-priced airfare to be chosen when an "interviewee pays" (H_{3a}) and a higher-priced airfare when the "company pays" (H_{3b}). In the "interviewee pays" condition, 70.5% chose the lowest fare compared to the "company pays" condition which 29.5% chose ($Z = 5.06$, $p <0.01$). In the "company pays" condition, 28.2% of subjects chose the highest fare option compared to the "interviewee pays" condition which no one chose ($Z = 5.12$, $p <0.01$). There is evidence of a statistically significant difference in choice in each condition, lending support to H_{3a} and H_{3b}. We also anticipated that more favorable flights would be chosen when the "company pays" (H_4). In the "company pays" condition, 94.9% elected to fly in the evening before the interview, compared to 75.6% for the "interviewee pays" condition. In the "interviewee pays" condition 24.4% elected to fly the morning of the interview, compared to 5.1% in the "company pays" condition. A chi-squared test of the condition by flight timing (evening or morning) was statistically significant ($\chi^2 = 12.80$, $df = 1$, $p < 0.001$), which lends support to H_4.

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Relevance to Marketing Educators, Researchers, and Practitioners:

One truism in marketing is that purchase behavior is different in B2B and B2C settings. We consider the scenario in which a buyer makes a purchase in the consumer market for a business purpose, and we investigate how the decision-making process differs if an organization reimburses the purchase. Our research could have implications for understanding consumer and organizational behavior. It also could have implications for firms that serve consumers who are reimbursed by their employer when they purchase business products (e.g., travel services, office expenses, mobile apps).

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